

PUBLIC DISCLOSURE

March 14, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Winchester Co-operative Bank
27238**

**19 Church Street
Winchester, Massachusetts 01890**

**Division of Banks
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Boston, MA 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Winchester Co-operative Bank (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **March 14, 2011**. The agencies evaluate performance in the assessment area as defined by the institution. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY

The Lending Test is rated: **Satisfactory**

The Community Development Test is rated: **Satisfactory**

This evaluation assesses the Bank’s performance under the “Intermediate Small Bank” (ISB) procedures, which include a Lending Test and a Community Development Test. The Bank’s performance under each of these tests is summarized as follows:

Lending Test

The institution is rated “Satisfactory” under the Lending Test. This rating is supported by consideration of the following conclusions:

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable given the Bank’s size, business strategy, and assessment area credit needs. The Bank’s average LTD ratio over the 12 quarters since the prior FDIC CRA evaluation dated February 14, 2008, is 80.1 percent. As of December 31, 2010, the Bank’s net LTD ratio was 73.3 percent.

Assessment Area Concentration

The Bank extended a majority of its home mortgage loans within its designated assessment area between January 1, 2009 and December 31, 2010. Over the two year period, 51.6 percent of the loans were granted inside the assessment area. The Bank ranked 2nd out of 209 home mortgage lenders who originated loans in the assessment area in 2009. This market rank is particularly noteworthy considering that Winchester Co-operative Bank, a \$488 million financial institution with only a single branch, competes with many large national and regional banks in the assessment area.

Geographic Distribution

The geographic distribution of home mortgage loans is reasonable throughout the assessment area. The Bank originated 3.5 percent of loans in 2009 and 5.1 percent of loans in 2010 within the assessment area’s moderate-income geographies. There are no low-income census tracts within the Bank’s assessment area.

Borrower Characteristics

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income). The Bank ranked first in the assessment area in market share of home mortgage loans to low-income borrowers and second in loans to moderate-income borrowers in 2009, trailing only a large national bank. The Bank was the clear leader in extending home mortgage loans to low- and moderate-income borrowers in the assessment area during the review period.

Response to Complaints

The Bank did not receive any CRA-related complaints during the period reviewed.

Community Development Test

The Bank is rated “Satisfactory” under the Community Development Test. The Bank’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area during the evaluation period by supporting community development activities, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the assessment area. The following conclusions support the assigned rating:

Community Development Services

The Bank’s personnel were actively involved in the provision of financial expertise to community development organizations within its designated assessment area during the period under review. Officers and employees, as well as Directors participated in community development organizations, including those which provide services primarily to low- and moderate-income individuals and families. The Bank also offered an adequate selection of services designed to promote affordable housing assistance in a variety of ways.

Community Development Investments

The Bank’s investments during the time period reviewed consisted solely of charitable contributions to organizations and toward initiatives with a community development purpose.

Community Development Lending

The Bank did not originate any qualified community development loans during the evaluation period.

SCOPE OF EXAMINATION

The Division and the FDIC jointly assessed the Bank's CRA performance utilizing ISB CRA examination procedures, which include a Lending Test and a Community Development Test. The Lending Test includes the following criteria: (1) the Bank's average loan-to-deposit ratio; (2) the percentage of loans, and, as applicable, other lending-related activities located in the Bank's assessment area; (3) the Bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; (4) the geographic distribution of the Bank's loans; and (5) the Bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area. The prior evaluation dated February 14, 2008 accorded the institution an overall rating of "Satisfactory."

The evaluation considered the Bank's home mortgage lending only, as this product represents the Bank's primary lending focus reported in its Report of Condition and Income ("Call Report"), dated December 31, 2010. The Call Report indicated residential real estate loans comprised 91.9 percent of the Bank's loan portfolio, the vast majority of which were secured by 1-4 family properties. Since the Bank is required to report home mortgage loan information pursuant to the Home Mortgage Disclosure Act ("HMDA"), the evaluation of home mortgage loans considered all HMDA-reported originations in 2009 and 2010. The Bank reported 327 loans, totaling \$95 million in 2009, and 348 loans, totaling \$104 million in 2010. The Bank's home mortgage lending performance was compared against certain demographic data and 2009 aggregate lending data. For purposes of this evaluation, aggregate data includes all home mortgage loan originations in the Bank's assessment area by financial institutions subject to HMDA. To ensure consistency when making performance comparisons with other institutions having loan activity in the assessment area, loan purchases were not included in the aggregate lending data because the Bank did not purchase any HMDA loans during the review period. Since aggregate data for 2010 was not yet available as of the date of the analysis, the Bank's lending activity for 2010 was compared to assessment area demographics to arrive at performance conclusions for that year.

Small Business lending represents an insignificant portion (6.5 percent) of the Bank's loan portfolio. The Bank did not engage in small farm lending during the evaluation period. Additionally, consumer lending was minimal and the Bank did not request a review of its consumer loans. Therefore, none of these product lines was subject to review for the evaluation period. Although the total dollar amount of loans extended within the assessment area is presented in some tables, emphasis is placed on the number, rather than the dollar volume of loan originations, as the number of loans gives a more accurate depiction of the number of individuals actually served.

The Community Development Test includes the following criteria: (1) the number and dollar amount of community development loans; (2) the number and dollar amount of qualified investments; (3) the extent to which the Bank provides community development services; and (4) the Bank's responsiveness through such activities in meeting community development lending, investment, and service needs. The Community Development Test includes all community development activities in which the Bank was involved from February 14, 2008, the date of the prior evaluation, to March 14, 2011.

Demographic information referenced in this evaluation was obtained from the 2000 United States (U.S.) Census unless otherwise noted. Financial data about the Bank was obtained from the December 31, 2010 Call Report

PERFORMANCE CONTEXT

Description of Institution

The Bank is a state-chartered mutually owned institution, incorporated under the laws of the Commonwealth of Massachusetts in 1893. The Bank serves the savings and credit needs of the individuals and families of Winchester and Woburn and the surrounding communities.

The Bank's sole office is located at 19 Church Street in Winchester within an upper-income Census tract. Hours of operation are considered convenient. Extended hours were offered during the review period on Thursday and Friday evenings, as well as Saturday mornings.

The Bank offered a variety of residential, consumer and commercial credit products as well as numerous deposit services for consumers and businesses.

The Bank experienced asset growth of approximately 30.4 percent since the previous joint CRA evaluation. The loan portfolio grew approximately 8.8 percent. Based on the December 31, 2010 Call Report, the Bank had \$488.2 million in assets; of which gross loans represented \$319.3 million or 65.4 percent of total assets. Table 1 provides details of the Bank's loan portfolio.

Table 1 – Loan Portfolio Distribution as of December 31, 2010		
Loan Type:	Dollar Volume \$(000s)	Percentage of Total Loans
Construction and Land Development	1,795	0.6
Farm Land	585	0.2
1-4 Family Residential	286,380	89.7
Multi-family (5 or more) Residential	7,186	2.2
Commercial Real Estate	20,687	6.5
Total Real Estate Secured	316,633	99.2
Consumer	2,658	0.8
Total	319,291	100.0

Source: December 31, 2010 Call Report

The previous joint CRA examination resulted in an overall rating of "Satisfactory" and was conducted using the ISB examination procedures.

There are no significant financial or legal impediments that limit the Bank's ability to help meet the credit needs of its assessment area. However, it is noted that the Bank operates in a highly competitive environment. In 2009, 209 lenders originated home mortgage loans in the Bank's assessment area and the Bank was ranked 2nd in market share.

Description of Assessment Area

The CRA requires the designation of one or more assessment area(s) within which a financial institution's record of helping to meet the needs of its community will be evaluated. The Bank has one designated assessment area that conforms to the CRA requirements: (1) the assessment area consists of whole geographies; (2) it does not arbitrarily exclude low- or moderate-income areas; (3) it does not extend beyond state boundaries; and (4) it does not reflect illegal discrimination. The Bank did not change its assessment area since the previous evaluation.

Geographies

The Bank's assessment area comprises the municipalities of Winchester and Woburn, which are located within Middlesex County. These municipalities are part of the Cambridge-Framingham-Newton, Massachusetts (MA) Metropolitan Division ("MD") #15764.

The assessment area contains 12 Census tracts: 2 moderate-income, 7 middle-income, and 3 upper-income. The moderate-income tracts are both in Woburn. There are 5 middle-income tracts in Woburn and 2 in Winchester. All 3 upper-income geographies are located in Winchester.

Median Family Income Levels

Each Census tract within the Bank's assessment area is assigned an income level based on the median family income ("MFI") of the tract compared to the MFI established for the Metropolitan Statistical Area ("MSA") or MD in which the tract is located. The four income levels are defined as follows:

Low-income:	Less than 50% of MFI
Moderate-income:	At least 50% but less than 80% of MFI
Middle-income:	At least 80% but less than 120% of MFI
Upper-income:	Equal to or greater than 120% of MFI

This analysis is based on the annual median family income for the Cambridge-Framingham-Newton, MA MD as adjusted by the Department of Housing and Urban Development (HUD), adjusted annually for inflation and other economic events. The 2009 and 2010 HUD-adjusted MFIs for MD #15764 were \$97,100 and \$98,700, respectively.

Population

According to 2000 US Census data, the total population of the assessment area is 58,068. The assessment area further comprises 15,526 families. Of these, 2,474 (15.9 percent) are low-income, 2,729 (17.6 percent) moderate-income, 3,725 (24.0 percent) middle-income, and 6,598 (42.5 percent) upper-income families. Those with income below the poverty level, a sub-set of low-income families, represent 20.9 percent of low-income families and 3.3 percent of total families.

An analysis of the stratification of assessment area families by income level of Census tract was also performed. Of all assessment area families, 11.6 percent reside in moderate-income geographies, 62.0 percent in middle-income geographies, and 26.4 percent in upper-income geographies. A small percentage (8.8 percent) of families who reside in the assessment area's moderate-income tracts has incomes below the poverty level. As indicated previously, there are no low-income Census tracts in the assessment area.

Housing

According to 2000 US Census data, the assessment area contains 23,299 housing units, composed of 66.0 percent owner-occupied units, 31.5 percent rental units, and 2.5 percent vacant units. The median age of housing stock is 46 years; the median housing value is \$307,070; and the median monthly gross rent is \$931. Table 2 illustrates certain housing characteristics by income level of Census tract within the Bank's designated assessment area based on 2000 US Census Data.

Table 2 – Selected Housing Characteristics by Income Category of the Geography								
Income Level of Census Tract	Percentage					Median		
	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age	Home Value	Gross Rent
Moderate	13.6	13.9	9.4	22.6	24.9	56	\$203,536	\$777
Middle	63.5	63.2	61.5	67.3	54.7	42	\$235,405	\$925
Upper	22.9	22.9	29.1	10.1	20.4	53	\$476,829	\$1,298
Total or Median	100.0	100.0	100.0	100.0	100.0	46	\$307,070	\$931

Source: 2000 US Census Data

Tables 2 indicates that of the 3,244 assessment area housing units located in moderate-income Census tracts, 1,445 (44.5 percent) are owner-occupied, 1,653 (51.0 percent) are rental, and 146 (4.5 percent) are vacant. Although just over half of the housing units in the assessment area's moderate-income geographies are rental, sufficient opportunities existed during the evaluation period to lend in moderate-income tracts within the assessment area.

2000 US Census data indicates a range of median home values that range between \$203,536 in the moderate-income geographies and \$476,829 in upper-income geographies. However, more recent housing data obtained from *The Warren Group* reflects much higher home values. In Winchester, the median single family home sale price was \$710,000 in 2009 and \$715,000 in 2010, and in Woburn \$310,000 in 2009 and \$312,000 in 2010. *The Warren Group* data indicates home values in Winchester remained steady during the review period. These home values presumably presented a challenge for the Bank to extend home mortgage loans to low- and moderate-income borrowers in Winchester. However, home prices in Woburn, while still relatively high, provided opportunities for the Bank to make home mortgage loans to low- and moderate-income borrowers.

Unemployment

The Massachusetts Executive Office of Labor and Workforce Development provides unemployment data for all Massachusetts counties and municipalities. The Commonwealth's unemployment rate stood at 8.2 percent in 2009 and 8.5 percent in 2010. The Middlesex County unemployment rate was 7.1 percent and 7.0 percent in 2009 and 2010, respectively. The Winchester unemployment rate was 6.1 percent in 2009 and 5.7 in 2010. In Woburn, the 2009 unemployment rate stood at 8.2 percent and the 2010 unemployment rate stood at 7.7 percent. While the unemployment rate in Winchester was lower than both the Massachusetts and Middlesex County unemployment rates for both years, the Woburn unemployment rate was equal to the state unemployment rate and above the county unemployment rate in 2009. Labor conditions improved in Woburn in 2010 while unemployment increased in Massachusetts. Despite the somewhat higher unemployment rates in Woburn, economic conditions during the review period were suitable for the Bank to effectively originate home mortgage loans within the assessment area.

Competition

The Bank operates in a highly competitive environment. Market share reports for residential lending in 2009 revealed that 209 financial institutions originated at least one HMDA reportable loan in the Bank's assessment area. The Bank ranked 2nd in market share among HMDA reporters in 2009. The Bank was the top residential lender in 2009 when compared to local institutions, and only trailed Bank of America, a national bank, in the number of HMDA loans originated that year.

Management considers the institution's primary competitors to be Winchester Savings Bank, as well as large national or regional banks that have offices in its assessment area, such as Bank of America, N.A., RBS Citizens, N.A., Sovereign Bank, and TD Bank, N.A.

Community Contact

As part of the evaluation process, a third party active in community affairs is contacted to assist in assessing the housing and business needs of the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any, are available. An interview was conducted with an individual representing a local organization in Winchester, Massachusetts, dedicated to providing affordable housing opportunities to low- and moderate-income individuals. The contact specifically mentioned that the local institutions, especially the Bank, were very active in the community. The contact indicated that the Bank has been eager to respond to requests for financing for affordable housing development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio; assessment area concentration; lending to borrowers of different incomes (borrower profile) and businesses of different sizes; geographic distribution of loans; and the Bank's record of taking action in response to CRA complaints. Overall, the Bank's performance under the Lending Test is considered "Satisfactory."

Loan-to-Deposit Analysis

The Bank's LTD ratio is reasonable and reflects an overall commitment to lend by the institution. This performance criterion considers the Bank's size, financial condition, assessment area credit needs, general economic conditions, and seasonal variations, while determining the percentage of the Bank's deposit base that is reinvested in the form of loans, and evaluates its appropriateness.

The Bank's LTD ratio was 80.1 percent as of December 31, 2010. The average LTD ratio was calculated by averaging the Bank's 12 quarterly LTD ratios since the previous CRA evaluation, which ranged from a low of 72.7 percent as of March 31, 2010 to a high of 90.1 percent as of March 31, 2008. The Bank's net loans increased by 10.2 percent during the review period, while total deposits increased by 35.5 percent. Bank management attributed the slower increase in net loans to the Bank's strategy of selling a significant portion of residential mortgages to Freddie Mac. The Bank sold 350 loans totaling \$93 million to Freddie Mac from 2008 through 2010, partially explaining the decreasing trend of the LTD ratio. Additionally, the Bank experienced extraordinary deposit growth during the review period as a result of uncertain economic conditions. A comparison to three similarly-situated institutions, in terms of loan portfolio composition and total assets, revealed that the Bank's current ratio of 80.1 percent is generally consistent with the LTD ratios of the other two institutions.

Assessment Area Concentration

The Bank's performance under this criterion is considered satisfactory as a majority of the Bank's home mortgage loans by both number and dollar amount were originated within the Bank's assessment area. This performance criterion assesses whether the Bank originated a majority of its loans within its assessment area. Table 3 depicts the concentration of home mortgage loans inside and outside of the assessment area for each year by the percentage of number of originations and dollar amount.

Table 3 – Distribution of Loans Inside and Outside of the Assessment Area

Year and Loan Category or Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	\$(000)
2009										
Home Purchase	40	44.0	51	56.0	91	16,890	46.1	19,720	53.9	36,610
Refinance	105	53.0	93	47.0	198	26,916	52.9	23,937	47.1	50,853
Home Improvement	26	68.4	12	31.6	38	5,420	71.5	2,159	28.5	7,579
Total	171	52.3	156	47.7	327	49,226	51.8	45,816	48.2	95,042
2010										
Home Purchase	45	39.5	69	60.5	114	21,519	46.3	24,939	53.7	46,458
Refinance	114	56.2	89	43.8	203	30,302	57.9	22,080	42.1	52,382
Home Improvement	18	58.1	13	41.9	31	3,080	56.4	2,385	43.6	5,465
Total	177	50.9	171	49.1	348	54,901	52.6	49,404	47.4	104,305
Total Home Loans	348	51.6	327	48.4	675	104,127	52.2	95,220	47.8	199,347

Source: 2009 and 2010 Bank HMDA Data

As revealed in Table 3, the Bank originated 51.6 percent of its home mortgage loans by number, and 52.2 percent by dollar volume, within its assessment area during the evaluation period. The Bank's performance was steady from 2009 to 2010, with a slight decrease in assessment area concentration by number of originations and a slight increase in concentration by dollar amount between the two years. The percentage of home mortgage loans inside the assessment area represents an improvement from the previous evaluation when the Bank did not originate a majority of loans by number or dollar amount within the assessment area. As noted previously, the Bank operates in a highly competitive market for home mortgage loans. Nonetheless, the Bank ranked 2nd, based on number of originations among all 209 HMDA lenders that made a home mortgage loan in the assessment area. The Bank ranked ahead of all other locally-headquartered lending institutions, including mortgage companies, reflecting a satisfactory performance in meeting the credit needs of the assessment area.

Overall, the Bank's performance relative to this component is considered adequate, with an adequate percentage of home mortgage loans originated in its delineated assessment area.

Geographic Distribution

This criterion evaluates the distribution of the Bank's loans within the assessment area by Census tract income level, with emphasis on lending in low- and moderate-income Census tracts. Since the Bank's assessment area does not contain any low-income Census tracts, lending in the area's moderate-income census tracts was the primary focus under this criterion. Overall, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.

Table 4 presents the distribution of the Bank's home mortgage loans in 2009 and 2010 by number of originations, while comparing this data to the 2009 aggregate lending data, and the distribution of owner-occupied housing units by the income level of Census tracts. As previously noted, aggregate data for 2010 was not available at the time of the review.

Table 4 – Distribution of Home Mortgage Loans by Income Category of Census Tract						
Census Tract Income Level	% of Total Owner- Occupied Housing Units	2009 Aggregate Lending Data (% of #)	2009 Bank Data		2010 Bank Data	
		%	#	%	#	%
Moderate	9.4	7.7	6	3.5	9	5.1
Middle	61.5	59.0	87	50.9	84	47.4
Upper	29.1	33.3	78	45.6	84	47.5
Total	100.0	100.0	171	100.0	177	100.0

Source: 2009 and 2010 Bank HMDA Data, 2000 US Census Data

The Bank originated loans in all of its 12 Census tracts in both 2009 and 2010. In 2009, the Bank originated a lower percentage of its loans within the assessment area's moderate-income tracts than the aggregate market. The Bank's 2009 performance within the moderate-income tracts was also less than the percentage of owner-occupied housing units. The Bank improved its performance during the review period by increasing its percentage of loans in the assessment area's moderate-income tracts from 3.5 percent in 2009 to 5.1 percent in 2010. It is noted that both moderate-income geographies are located in Woburn. The Bank does not have a branch presence in Woburn, which mitigates the institution's performance in lending to the area's moderate-income tracts.

Assessment area market share reports for 2009 indicate that the Bank ranked 8th in number of loans originated in moderate-income census tracts, with a market share of 2.6 percent, and trailing only large national banks and 2 regional mortgage companies. The Bank originated more loans in its moderate-income geographies than any other local bank. Although the Bank's percentage of loans in moderate-income tracts was somewhat low, its performance is reasonable in view of the level of competition from large national banks and mortgage companies in the assessment area.

Considering the limited lending opportunities in moderate-income Census tracts as well as the number of lenders competing for the small share of loans in those tracts, the Bank's overall performance, as it relates to the geographic distribution of the loans originated in 2009 and 2010, reflects a reasonable dispersion throughout its assessment area.

Borrower Characteristics

The distribution of loans was reviewed to determine the extent to which the Bank is meeting the credit needs of the area's residents. Overall, the distribution of borrowers reflects excellent penetration among borrowers of different income levels because of the Bank's performance in making home mortgage loans to low- and moderate-income individuals during the review period compared to demographic and aggregate lending data.

Table 5 presents the distribution of the Bank's home mortgage loans in 2009 and 2010 by number of originations. For comparison purposes, the table includes the percentage of total families by income level and the 2009 aggregate lending data. Only the Bank's performance in 2009 is compared to aggregate lending data, while its performance in both years is compared to the distribution of families.

Table 5 – Distribution of Home Mortgage Loans by Borrower Income						
Borrower Income Level	% of Total Families	2009 Aggregate Lending Data (% of #)	2009 Bank Data		2010 Bank Data	
		%	#	%	#	%
Low	15.9	6.2	21	12.3	9	5.1
Moderate	17.6	17.0	35	20.5	35	19.8
Middle	24.0	26.6	38	22.2	36	20.3
Upper	42.5	46.8	68	39.8	73	41.2
N/A	-	3.4	9	5.2	24	13.6
Total	100.0	100.0	171	100.0	177	100.0

Source: 2009 and 2010 Bank HMDA Data, 2000 US Census Data

As indicated in Table 5, the Bank's percentage of home mortgage loans in 2009 to low-income borrowers at 12.3 percent doubled the aggregate's 6.2 percent, but was less than the percentage of low-income families at 15.9 percent. However, it is not expected that the Bank would match the percentage of low-income families, as 20.9 percent of these families have incomes below the poverty level and would likely not qualify for a home mortgage loan.

The Bank's performance in lending to low-income borrowers in the assessment area is further highlighted by the 2009 market share report. The Bank ranked 1st out of 62 lenders, with a market share of 11.2 percent, in originating loans to low-income borrowers in the assessment area. The next best performer, by number of originations, made 13 home mortgage loans to low-income borrowers compared to the Bank's 21 loans. This data reveals that the Bank was the clear leader among home mortgage lenders in providing financing to low-income borrowers in the assessment area in 2009. The Bank's performance declined in 2010, as its percentage of loans to low-income borrowers dropped to 5.1 percent. Despite the downward trend in percentage of loans to low-income borrowers, the Bank still made 9 home mortgage loans to low-income individuals.

The Bank's percentage of home mortgage loans in 2009 to moderate-income borrowers, at 20.5 percent, also exceeded the aggregate performance at 17.0 percent and the percentage of moderate-income families at 17.6 percent. The 2009 market share report for loans made to moderate-income borrowers in the assessment area revealed that the Bank ranked 2nd out of 89 lenders, with a market share of 6.9 percent. The Bank originated more than twice as many loans to moderate-income borrowers as the next highest ranked community bank in the assessment area. The Bank trailed only Bank of America N.A. in number of loans to moderate-income borrowers. The Bank's overall market share in the assessment area, combined with a distribution of loans to moderate-income borrowers, is noteworthy. Similar performance continued in 2010, as 19.8 percent of the Bank's assessment area loans were made to moderate-income borrowers, exceeding the distribution of moderate-income families at 17.6 percent.

Response to CRA Complaints

During the evaluation period the Bank had no CRA-related consumer complaints; however, the Bank maintained adequate procedures to handle all incoming consumer complaints, including those relating to its CRA performance.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's community development loans, investments, and services. Unless otherwise noted, for purposes of this evaluation, the period used for the community development test is from February 14, 2008 to March 14, 2011.

The Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area. Performance under this criterion typically includes providing community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the assessment area. Overall, the Bank's performance under the Community Development Test is considered "Satisfactory," considering the context in which the Bank performs.

Community Development Loans

A community development loan (1) has as its primary purpose community development; (2) has not been reported or collected by the bank or an affiliate for consideration in the Bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling; and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the assessment area

The Bank did not make any qualified community development loans during the evaluation period. Since residential loans comprise approximately 90 percent of the Bank's loan portfolio, funds are generally limited to originate true community development loans. The Bank's only office is located in an upper-income Census tract in Winchester, further reducing opportunities to make community development loans within the assessment area during the review period.

Community Development Investments

A qualified investment, for the purposes of this CRA evaluation, is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

Qualified Equity Investments

The Bank did not make any qualified equity investments during the evaluation period. Since the Bank operates in an upper-income Census tract, uncovering initiatives for involvement in these types of investment venues are met with considerable challenge.

Qualified Charitable Contributions and Grant Investments

The Bank made a reasonable level of contributions and donations toward community-based initiatives.

From February 14, 2008 through March 11, 2011, the Bank made qualified donations totaling \$85,407 to local organizations. The amounts donated in 2009 and 2010 were \$21,127 and \$42,730, respectively, representing pre-tax net operating income of 0.38%, and 0.62%, respectively. The following items detail a sample of the organizations that benefited from the Bank's contributions.

Woburn Council of Social Concern - This organization supports the needs of low- and moderate-income children, as well as families and senior citizens, by providing day care, parenting education, and food assistance.

Homeowner Options for Massachusetts Elders (H.O.M.E.) – This organization offers programs that assist low- and moderate-income homeowners to make informed housing decisions that allow them to stay in their homes.

Mission of Deeds – This is a non-profit volunteer organization which provides household furnishings to people in need. Recipients are primarily low- and moderate-income battered women and their children, older people who have been abandoned, and many others who have lost their homes and possessions for various reasons. The organization collects used furniture and household items and distributes them to those referred by social service organizations.

Consumer Credit Counseling Services (CCCS) – This non-profit agency provides counseling to individuals experiencing financial hardship. Educational training is also provided in an effort to help these individuals achieve their financial goals.

In addition to the community development organizations identified above, the Bank further demonstrated its commitment to the assessment area with financial support to local schools and other community organizations. While donations of this type may not meet the strict regulatory definition of community development, they demonstrate the Bank's commitment to its community.

Community Development Services

The CRA regulation defines a community development service as having community development as its primary purpose while providing financial services. The following items represent two of the Bank's qualified community development services.

Involvement in Community Organizations

Winchester Hospital – Although not a qualified community development entity as defined by the CRA, this community-based hospital strives to ensure that the highest quality health care continues to be delivered through the coordination of available resources for the purpose of improving the health of the communities they serve. A member of the Board of Directors of the Bank served as a Corporator during the evaluation period.

The En Ka Society - A non-profit volunteer organization, the En Ka Society provides direct service and contributions through fundraising for Winchester community organizations such as A Better Chance, Meals on Wheels, and the Palmer Street and Westley Street Tenant's Associations. En Ka also provides prepared food baskets for low-income elders and direct financial assistance for families in need. A member of the Board of Directors served as a board member of this organization for many years and is also a past president.

Retail and Other Bank Services

The Bank's main office has an ATM and convenient hours of operation, offering extended hours on Thursday and Friday evenings and Saturday mornings.

The Bank participated in Basic Banking for Massachusetts, providing low or no cost checking

and savings accounts to encourage those with low- or moderate-incomes to establish banking relationships.

Although the Bank did not originate any community development loans due to limited opportunities, the Bank, in its efforts to support community development activities, participated in the Massachusetts Housing Partnership's Soft Second Program, but currently has no activity in this program. The Bank also enrolled in the Federal Home Loan Program of Boston's Equity Builder Program, which provides down payment assistance to qualified homebuyers. From 2008 through 2010, the Bank closed five loans totaling \$800,000 through this program.

The Bank provided financing and participated in local community affordable housing lotteries during the review period. The Bank also offered fixed-rate mortgages with discounted closing costs, no PMI, and down payments as low as five percent. In 2009, the Bank made one loan in Concord for \$139,000 through this program.

The Bank offered reverse mortgages through H.O.M.E. (Homeowner Options for Massachusetts Elders), never charging any fees for the transactions as those who typically qualify for such programs are subsisting on a fixed income. The Bank originated four reverse mortgages granted to eligible, low-income seniors and provided appropriate counseling.

The Bank hosted a series of first time homebuyer seminars in partnership with the Community Service Network of Stoneham. The four evening seminars were held in April and May of 2010. There were 12 participants in the program.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the federal fair lending regulations was reviewed. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A

Fair Lending Policies and Procedures

A Fair Lending Review was conducted at this examination. This review was done in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. The Bank has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division's Regulatory Bulletin 2.3-101.

The Bank has a written Fair Lending Policy. Included in this policy are the Bank's efforts to eliminate discrimination in all aspects of lending, including product development, marketing and advertising, underwriting, and training. The Bank provides fair lending training to all employees at least annually. The Bank has a second review process to ensure that denied applications are not the result of discriminatory practices. No indication of discriminatory or other illegal credit practices were identified during the evaluation. Overall, the institution's fair lending policies, procedures, training programs, and internal assessment efforts were deemed satisfactory.

Minority Application Flow

During 2009 and 2010, the Bank received 14 applications, or 3.5 percent, from minority applicants. Of these, 13, or 93 percent, resulted in originations.

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

According to the 2000 Census Data, the Bank's assessment area contained a total population of 58,068 individuals, of whom 9.76 percent are minorities. The assessment area's minority and ethnic population is 1.34 percent African American, 4.76 percent Asian, 0.1 percent American Indian, less than 0.1 percent Hawaiian/Pacific Islander, 2.35 percent Hispanic or Latino, and 1.2 percent other.

MINORITY APPLICATION FLOW

RACE	2009 Aggregate Data		Bank 2009		Bank 2010	
	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	5	0.1	1	0.6	1	0.5
<i>Asian</i>	422	7.7	2	1.2	5	2.4
<i>Black/ African American</i>	32	0.6	1	0.6	2	1.0
<i>Hawaiian/Pac Isl.</i>	3	0.1	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	68	1.2	0	0.0	2	1.0
Total Minority	530	9.7	4	2.0	10	4.9
<i>White</i>	3,607	66.2	184	92.9	181	88.3
<i>Race Not Available</i>	1,314	24.1	10	5.0	14	6.8
Total	5,451	100.0	198	100.0	205	100.0
ETHNICITY						
<i>Hispanic or Latino</i>	47	0.9	0	0.0	1	1
<i>Not Hispanic or Latino</i>	4,020	73.7	187	94.4	190	190
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	43	0.8	1	0.5	0	0
<i>Ethnicity Not Available</i>	1,341	24.6	10	5.1	14	14
Total	5,451	100.0	198	100.0	205	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

As indicated in the Minority Application Flow table, the percentage of applications the Bank received from minority applicants was below both the demographic makeup of the assessment area as well as that received by the 2009 aggregate data for all other HMDA reporters within the assessment area. It should be noted that the majority of the Bank's loans came from Winchester, where the only branch office is located.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 19 Church Street, Winchester, MA 01890."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.